

Largest RFID Action in Apparel and Asset Management, Latest Baird Report Says

Lack of RFID-based Software Still a Barrier to Adoption; Users Still Looking for Better Price-Performance

SCDigest Editorial Staff

As always, we were interested to read the latest [RFID Monthly](#) report from investment company RW Baird. This month, the report again offers cautious optimism on the pace of RFID adoption, but notes that barriers to more aggressive deployment continue to exist.

As with other observers, the Baird researchers say the most real action seems to be occurring in two areas: the apparel supply chain, especially around item-level tagging, and various asset tracking applications.

"Last month we discussed good activity in apparel, which we believe continues based on recent conversations with industry participants," the report notes. "We are seeing vendors dedicate more resources towards these opportunities, and we are clearly seeing an interest by software vendors, including independents, to devote more resources towards building up apparel solutions. Most use cases continue to be focused on out of stocks, inventory management, security and cycle counts."

While it says most of the apparel RFID pilot activity seems to be in Europe and Latin America, it notes that in the US, the most noteworthy rollout has been American Apparel, which has seen significant improvements in inventory accuracy (to greater than 99%) and labor savings (greater than 60 hours/week/store). The vertically integrated retailer expects to expand its rollout to roughly 250 stores by the end of 2009.

Others see similar opportunities in apparel. **Dean Frew**, CEO of Xterprise, recently told SCDigest that using RFID, "You can do a rack inventory [of ap-

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parel] in 40 seconds versus something like 8 minutes with bar code, and that's with a 30% error rate with bar code if you can get the 18-year-old worker to do it to begin with."

RFID-based asset tracking in general and IT asset tracking in particular also seem to be moving ahead nicely. The report notes that Wells Fargo bank has already implemented an RFID-based check-out process for laptops, and that Bank of America and the Federal Deposit Insurance Corp. are also conducting asset tracking pilots, and that several major financial institutions are working on standards for asset tracking.

Software Capabilities Still Lacking

The lack of rich support in supply chain software remains a barrier to greater RFID adoption, according to many industry observers.

"Our conversations at the RFID World show also confirmed several challenges to increased adoption. Most notably, we continue to see a general consensus that application software is weak, and that scalability given current software might be challenging," the report notes.

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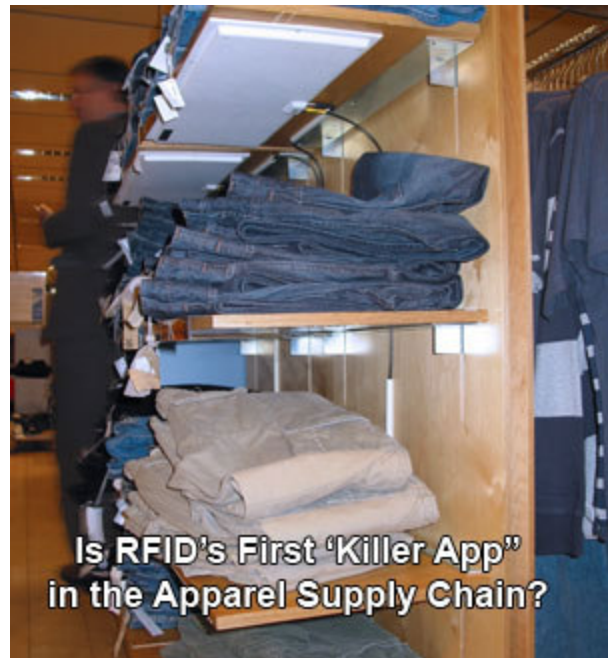
However, the report notes two trends that are positive for RFID-based software development. First, the middleware layer is becoming increasingly stable and easy to deploy, making the RFID data acquisition foundation for the business applications easier to manage.

Second, as real markets seem to be emerging in apparel, asset tracking, food traceability and others areas, software vendors have an increasing incentive to make investments to add real RFID support.

The report also says that while overall "Gen 2" EPC technology improvements continue apace, especially in improved reader performance, basic price-performance concerns continue to hinder adoption for some users.

"While the progress with Gen 2 is positive, we continue to monitor a host of objections from some end users, which center around increased performance and a decreased price," the report says.

As usual with RFID, this is something of a "chicken and egg" issue, as greater volumes can



lead to lower price and also push the technology forward. Xterprise's Frew notes that's both at an aggregate market level, and at an individual customer order level.

He says users could often achieve substantially lower prices for tags and readers if they order large quantities for a true roll out.